



# Massachusetts Department of Revenue

## Withholding of Taxes on Wages Multiple State Withholding Requirements

# D O R D I R E C T I V E

**DOR-D  
91-4**

**Issue 1:** When a Massachusetts resident is employed in another state that has its own income tax withholding requirements, how should the employer calculate the amount of Massachusetts income tax to withhold from the employee's wages?

**Directive 1:** When a Massachusetts resident works in another state, special rules apply to avoid double withholding from the employee's wages. The employer should calculate the Massachusetts withholding amount that would normally be required for the employee's pay period, (see Circular M), subtract the withholding required to be paid to the other state in the pay period, and withhold and pay the difference to Massachusetts. If the withholding required by the other state equals or exceeds the regular Massachusetts withholding amount for the pay period, no Massachusetts tax should be withheld from the employee's wages.

**Issue 2:** If an employer withholds a reduced amount of tax from an employee's wages because the employee works in another state with its own withholding requirements, must the employer notify the Department of Revenue that it is also withholding another state's tax?

**Directive 2:** There are no special filing requirements for notification of multiple withholding. The employer should simply calculate the proper withholding amount, as explained in this Directive, and indicate the total Massachusetts withholding for all of its employees on its withholding return. The Massachusetts income tax withheld from each employee's wages during the year should be shown on the employee's annual Form W-2.

**Discussion of Law:** Massachusetts law requires an employer to withhold from its employees' wages and to pay over to the state an amount approximating the Massachusetts personal income tax that the employees owe. G.L. c. 62B, § 2. Generally, the appropriate amount to withhold from an employee's wages depends on the employee's salary and the number of exemptions that the employee has claimed on Form M-4. The proper amount can be determined with the wage bracket or percentage formulas published in Circular M. An employer must pay the amount withheld over to the Department weekly, monthly, quarterly, or annually depending on the total amount of the wages that it pays to its employees. See 830 CMR 62B.2.1. The payments to the Department should be accompanied by Form M-941W (weekly payments); Form M-942 (monthly payments); Form M-941 (quarterly payments); or Form M-941A (annual payments). The basic withholding rules are explained in the DOR publication, *A Guide To Withholding of Taxes on Wages*.

Under G.L. c. 62, § 6(a), Massachusetts residents who work and pay income taxes in other states are generally entitled to a credit against their Massachusetts income taxes in an amount equal to the tax paid to the other state. The credit is claimed on the employee's annual return, Form 1, Schedule F. Because of the credit, the Massachusetts tax on the income is reduced, and reduced withholding is authorized under 830 CMR 62B.2.1(3). The lower withholding amount is calculated by the following steps:

1. determine the amount of Massachusetts withholding that would be required for a payroll period if the employee worked in Massachusetts (see Circular M);
2. determine the withholding required for the payroll period by the state in which the employee works;
3. if the normal Massachusetts withholding amount determined above is greater than the amount required to be withheld by the other state, subtract the other state's amount from the Massachusetts amount and withhold and pay only the difference to Massachusetts;
4. if the normal Massachusetts withholding amount determined above is equal to or less than the amount required to be withheld by the other state, do not withhold any Massachusetts taxes from the employee's wages.

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When an employer withholds Massachusetts income taxes from the wages of employees that live in Massachusetts but work in another state, the Department does not require special documentation to verify the multiple withholding. The employer should simply calculate the proper withholding amount under the rules above, and pay this amount to the Department, accompanied by the appropriate payment form (i.e. Form M-941W, M-942, M-941, or M-941A). The actual amount of Massachusetts tax withheld from an employee's wages in a calendar year should appear on the employee's annual Form W-2.

**Example:**

Jane, a Massachusetts resident, works in Connecticut. She earns \$750 per week and claims four withholding exemptions on her Form M-4. The 1991 Massachusetts Circular M and the 1991 Connecticut withholding tables show that Jane's regular Massachusetts withholding would be \$38.53, and that Connecticut requires withholding of \$18.40. The \$18.40 should be withheld and paid to Connecticut, and \$20.13, the difference between the regular Massachusetts withholding and the Connecticut amount should be withheld and paid to Massachusetts.

Questions regarding withholding should be directed to the Department's Taxpayer Assistance Bureau at (617) 727-4331.

November 1, 1991



Mitchell Adams  
Commissioner of Revenue

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